Statement regarding Fox 8 New Orleans Segment

CSG, LLC has provided non-discretionary investment consulting services to the New Orleans Firefighters' Pension and Relief Fund (NOFPRF) over the last eleven years with Joe Meals serving as the lead consultant for the relationship.

Fletcher

CSG and Mr. Meals were introduced to Fletcher Asset Management (Fletcher), an Investment Advisory firm registered with the Securities and Exchange Commission, when Fletcher solicited an investment from the NOFPRF into its Hedge Fund. CSG and NOFPRF were not convinced that the investment represented an attractive return to risk profile and expressed their concerns to Fletcher.

Fletcher responded with a proposal that created a Preferred Share carrying a 12% coupon backed by a pledge of Subordinated Investors who were represented by a major Wall Street investment firm. Fletcher hired an independent Administrator that was responsible for providing monthly statements to NOFPRF. In addition, the fund was audited annually by independent, nationally recognized accounting firms and used an independent third party to assist in valuing its assets. According to the SEC's registration web site, Fletcher had no prior disciplinary history to report.

Unfortunately, Fletcher violated certain terms of the agreement and misrepresented the value of the investments in the fund. This misrepresentation gave the appearance that the collateral provided by the subordinated investors remained intact, which now appears to be in question and has resulted in a court ordered liquidation of the Fund under the direction of a Special Liquidator appointed by the Court. The ultimate amount of proceeds to be recovered from this liquidation will not be known until a later date.

Other Notes

When considering a private investment, the NOFPRF favors transactions in which their investment has a priority in being repaid over other investors in the same project. These investments tend to take the form of a note with equity interest. The Notes generally carry an interest rate of 8% which is equivalent to NOFPRF's actuarial assumption. The equity component provides them with some upside return potential above 8% while the Note provides some added downside protection in the event that the project does not perform as anticipated.

The Days Inn in Metairie is a good example of this type of investment. The NOFPRF invested $2.3mm in 2005 in this project in the form of a note with an equity interest. By mid-year 2007 they had received back over $3.1mm in payments and still held a note for $800,000 plus a 50% equity interest in the hotel.

The investment in properties in Phoenix and Idaho previously mentioned were made with a private real estate manager located in Las Vegas. In 2005, the NOFPRF invested $4.5mm in 3 different properties recommended by this manager and sold all 3 in 2007 for a total of $7.1mm. The annualized return on each was 96.9%, 13.3% and 28.9%, respectively. It should not be surprising that they would make other investments with this same manager, but unfortunately the real estate crisis of 2008 was not foreseen at the time of these additional investments.

Movies

The NOFPRF was aware of the Louisiana Legislature's actions in providing tax credits to movie producers to entice those producers to shoot their films in Louisiana. New Orleans is an attractive setting for many of these movies. The NOFPRF has made investments with reputable firms who have connections with the movie industry to provide capital for the making of movies in Louisiana. Their recent investments have taken the form of a note with a 20% interest rate in addition to a small revenue participation . The note is to be paid off out of the first sales of the movies and has a priority over almost all other investors in the same project.

AIM Charity

The AIM Charity is a tax-exempt entity that CSG created to raise money for making donations to various children's charities in the local community. It hosts an annual event in connection with the city of Memphis' international festival known as Memphis in May. The charity invites clients of CSG to an educational forum at which industry experts discuss economic events and investment strategies. All proceeds collected from these sponsorships, net of expenses, are donated to 4 different children's charities in the Memphis area. Last year there were 81 Money Managers who provided sponsorships ranging from $2,000 to $5,000 each, of which only 4 were managers that have a relationship with the NOFPRF. The NOFPRF has over 40 different managers handling funds as part of their investment strategy.

Settlement with the SEC:

This matter was limited to our internal documentation and had no impact on any client of the firm. CSG had adopted the CFA Code of Ethics prior to the SEC requiring it. All covered employees had been given a copy of the Code and agreed to abide by it.

The Code adopted by the firm as recommended by the CFA Institute met all the requirements of the SEC regulation with the exception that it did not require a written acknowledgement from the employees. Mr. Meals made a mistake in asking the employees to backdate the acknowledgement form but it was not a malicious action on his part. He paid a $10,000 fine for his mistake.
The SEC did not limit Mr. Meals' activities in any way that would impair his ability to function as a Senior Consultant in our firm.

DOL Matter

As part of an internal review, certain investments made by 4 ERISA clients were identified as having been miscoded as Non-ERISA accounts when the investments were set-up on CSG's system. This error resulted in a different treatment under our commission recapture agreement with these clients than what was appropriate under ERISA guidelines. CSG identified the error, corrected it and paid the clients the $278,000 that they should have received and self-reported the mistake to the DOL.

Mr. Meals was the Chief Compliance Officer for the firm during the time of the miscoding and thus accepted responsibility for the mistake since he had failed to detect the error. Under DOL guidelines, a 10% penalty was assessed to the firm. The restrictions placed upon Mr. Meals followed those outlined in the SEC settlement previously agreed to.

Other Important Matters not on your list

With the low interest rate environment of the past 2 decades, the Trustees of the NOFPRF felt that the return potential from traditional stock and bond investments would have difficulty in making the 8% actuarial assumption. They did not anticipate the continued decline in interest rates that has occurred or that 10 year Treasury yields could fall as low as they have. This caused them to consider Alternative investments to diversify their portfolio in an effort to achieve the 8% return with less volatility than that offered through publicly traded securities.

In looking at alternatives, they were more comfortable with investments that were close to home where they felt they knew more about the conditions surrounding the investments and knew many of the individuals that were managing them. They believed in the attractiveness of New Orleans and other communities close by. They felt that the city had much to offer and that when outside businesses realized this, the growth in the city and surrounding areas would be supportive of the investments that were made. Obviously, they did not predict Hurricane Katrina or the long term effects it would have on the growth prospects and entertainment industry. But their conviction and belief in the future of New Orleans and Louisiana in general has not wavered. That is why they continue to hold many of these investments until the economic conditions improve.

From 2000 through its most recent year end audit, the annualized return on the portfolio has been 2.9%. This is below their actuarial assumption and that is a concern, however it matches the return of the S&P 500 index which was also 2.9% for that same time period.

As to their heavy allocation to real estate, first it should be noted that approximately 18% of their portfolio or 40% of their real estate allocation is associated with Lakewood. This was initially intended to be a much smaller allocation but after Katrina, plans had to adjust. When the initial investment was made, it represented less than 4% of the portfolio. At that time, it was anticipated that one or more developers would partner with the Firefighters to participate in the development of the real estate into commercial and real estate projects. The availability

of developers with capital to participate alongside the Firefighters has been greatly hampered by two unforeseen event – Katrina and the 2008 recession. The NOFPRF continues to carry this investment alone but as the recent appraisal indicates, their confidence in this project remains viable.

Furthermore, if one looks at the asset classes that have performed over the past 20 years, according to a report issued by JP Morgan Asset Management the annualized return for real estate over the 20 year period ending 12/31/11 was 10.9%. Oil which was the next highest performer was up 8.6% and all other assets including the S&P500, Gold, Bonds, International Stocks and inflation were all below 7.8%. This would seem to indicate that an overweight to Real Estate was not a bad decision.

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